



# Pitney Bowes Third Quarter 2022 Earnings

November 1, 2022



# Forward Looking Statements

*This document contains “forward-looking statements” about the Company’s expected or potential future business and financial performance. Forward-looking statements include, but are not limited to, statements about future revenue and earnings guidance and future events or conditions. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that could cause actual results to differ materially from those projected. In particular, we continue to navigate the impacts of the Covid-19 pandemic (Covid-19), and the effect that its unpredictability is having on our, and our client’s business, financial performance and results of operations. Other factors which could cause future financial performance to differ materially from expectations, and which may also be exacerbated by Covid-19 or a negative change in the economy, include, without limitation, declining physical mail volumes; changes in postal regulations or the operations and financial health of posts in the U.S. or other major markets or changes to the broader postal or shipping markets; the loss of, or significant changes to, our contractual relationships with the United States Postal Service (USPS) or USPS’ performance under those contracts; our ability to continue to grow and manage volumes, gain additional economies of scale and improve profitability within our Global Ecommerce segment; changes in labor and transportation availability and costs; and other factors as more fully outlined in the Company’s 2021 Form 10-K Annual Report and other reports filed with the Securities and Exchange Commission. Pitney Bowes assumes no obligation to update any forward-looking statements contained in this document as a result of new information, events or developments.*

# Use of Non-GAAP Measures

*The Company's financial results are reported in accordance with generally accepted accounting principles (GAAP); however, in its disclosures the Company uses certain non-GAAP measures, such as adjusted earnings before interest and taxes (EBIT), adjusted earnings before interest, taxes, depreciation and amortization (EBITDA), adjusted earnings per share (EPS), revenue growth on a constant currency basis and free cash flow.*

*Adjusted EBIT, Adjusted EBITDA and Adjusted EPS exclude the impact of discontinued operations, restructuring charges, gains, losses and costs related to acquisitions and dispositions, asset and goodwill impairment charges, and other unusual or one-time items. Such items are often inconsistent in amount and frequency and as such, the Company believes that these non-GAAP measures provide investors greater insight into the underlying operating trends of the business.*

*In addition, revenue growth is presented on a constant currency basis to exclude the impact of changes in foreign currency exchange rates since the prior period under comparison. Constant currency is calculated by converting the current period non-U.S. dollar denominated revenue using the prior year's exchange rate for the comparable quarter. We believe that excluding the impacts of currency exchange rates provides investors a better understanding of the underlying revenue performance.*

# Use of Non-GAAP Measures

*Free cash flow adjusts cash from operations calculated in accordance with GAAP for discontinued operations, capital expenditures, restructuring payments, changes in customer deposits held at the Pitney Bowes Bank and other special items. The Company reports free cash flow to provide investors insight into the amount of cash that management could have available for other discretionary uses.*

*Segment EBIT is the primary measure of profitability and operational performance at the segment level and is determined by deducting from segment revenue the related costs and expenses attributable to the segment. Segment EBIT excludes interest, taxes, unallocated corporate expenses, restructuring charges, asset and goodwill impairment charges, and other items not allocated to a segment. The Company also reports segment EBITDA as an additional useful measure of segment profitability and operational performance.*

*Complete reconciliations of non-GAAP measures to comparable GAAP measures can be found in the attached financial schedules and at the Company's web site at [www.pb.com/investorrelations](http://www.pb.com/investorrelations)*

*“ We continue to successfully navigate the cross-currents in the global economy and remain singularly focused on emerging from this environment in a stronger position. Similar to last quarter, SendTech and Presort both grew on a constant currency basis and Global Ecommerce declined as a result of international macroeconomic challenges, including US dollar strength. The resilience of SendTech and Presort will serve us well going forward and the improved service levels we are seeing in our Domestic Parcel network within Global Ecommerce will drive substantial volume and margin expansion.”*

- Marc B. Lautenbach  
President and CEO

# Third Quarter 2022 Results

# Third Quarter 2022 – Overview<sup>(1)</sup>

- ❑ Revenue of \$831 million
  - 5% decline on a reported basis (4% decline constant currency) versus prior year
  
- ❑ GAAP EPS of \$0.03 and Adjusted EPS of \$0.00
  
- ❑ Adjusted EBIT of \$38 million
  
- ❑ GAAP Cash from Operations was a net use of \$36 million
  
- ❑ Free Cash Flow was a net use of \$16 million
  
- ❑ \$607 million in cash and short-term investments

*(1) A reconciliation of GAAP to Adjusted results for current and prior period can be found in the appendix of this presentation*

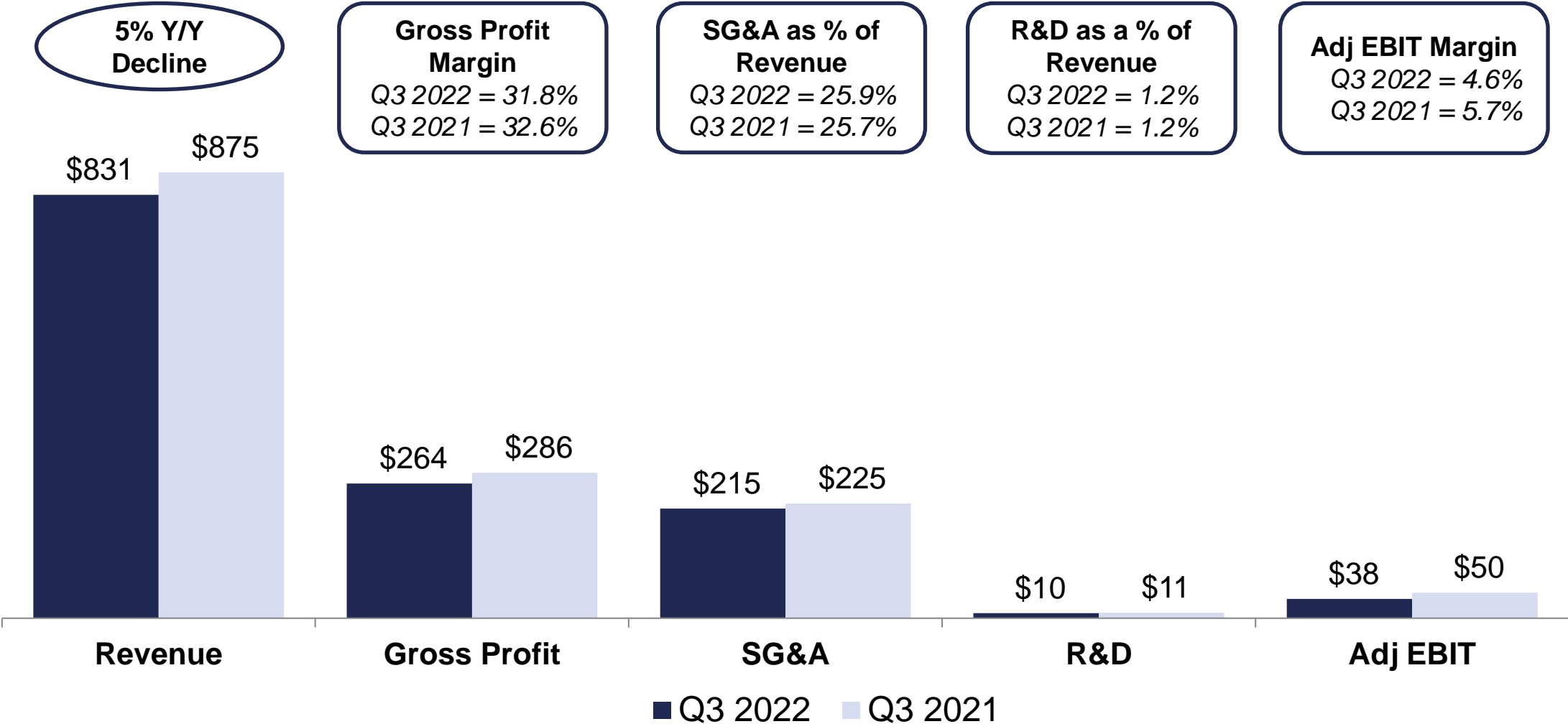
# Third Quarter 2022 – Overview Continued

- ❑ Global Ecommerce revenue declined 7% on a year-over-year basis excluding Borderfree, which was divested on July 1, 2022
- ❑ Global Ecommerce organic revenue decline was largely driven by lower volumes, especially, cross-border, where a more challenging macroeconomic environment and a stronger USD are pressuring ecommerce activity
- ❑ Presort revenue grew 4% on a year-over-year basis and with improved EBIT margins relative to second quarter 2022
- ❑ SendTech revenue grew on a constant currency basis driven by high-teens growth in shipping-related revenues as well as higher equipment revenues



# Third Quarter 2022 – Results vs Prior Year<sup>(1)</sup>

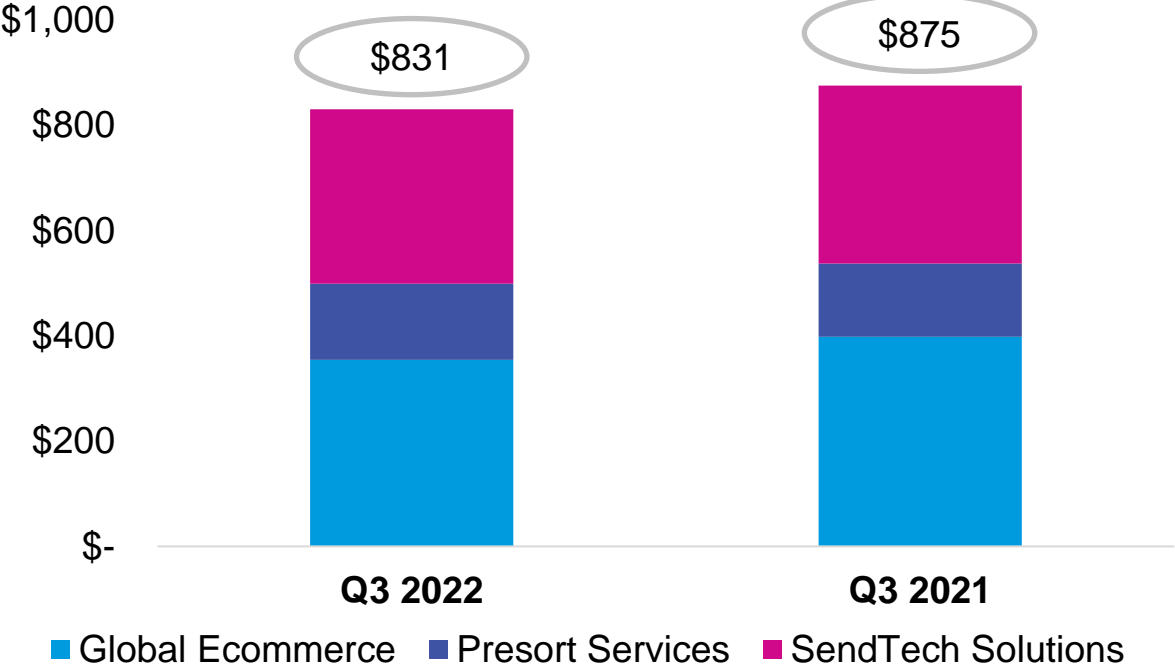
\$ millions



(1) A reconciliation of GAAP to Adjusted results for current and prior period can be found in the appendix of this presentation

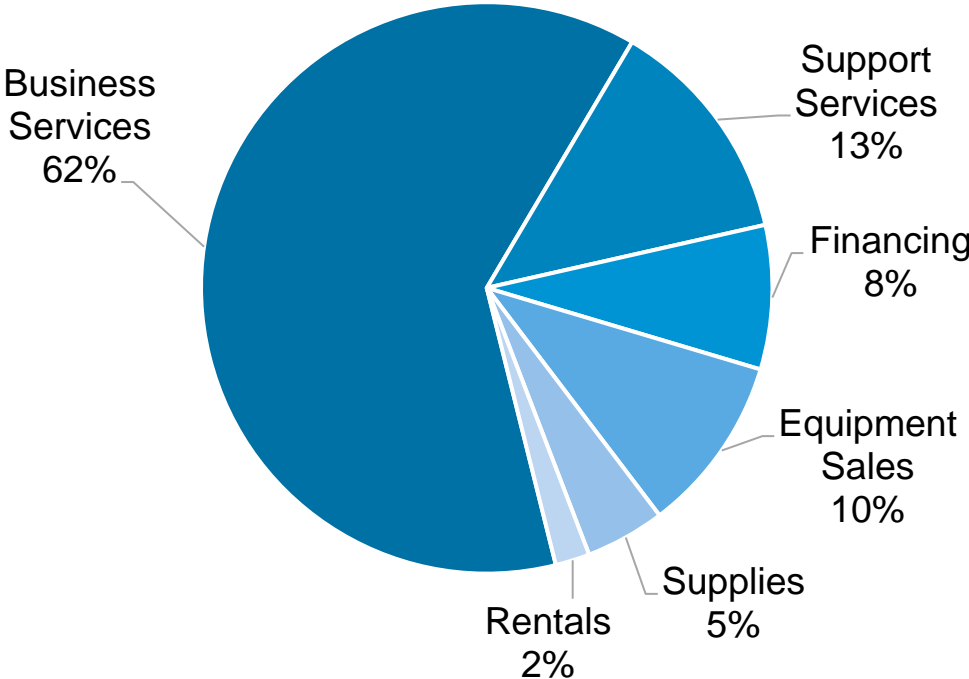
# Third Quarter 2022 – Revenue

Revenue (\$MM)



- Reported revenue change over prior year driven by:
- Global Ecommerce: (11%)
  - Presort: 4%
  - SendTech: (2%)

Q3 2022 Revenue



# Third Quarter 2022 – Global Ecommerce

*Global Ecommerce provides business to consumer logistics services for domestic and cross-border delivery, returns and fulfillment*

(\$ millions)	Q3 2022	Q3 2021	% Change Reported	% Change Ex Currency
Revenue	\$354	\$398	(11%)	(10%)
EBITDA	(\$17)	\$0	>(100%)	
EBIT	(\$35)	(\$21)	(66%)	

The segment revenue decline was largely driven by lower volumes, especially Cross-border, where US Dollar strength is pressuring international ecommerce activity. Domestic Parcel volumes were 36 million in the quarter, 4 million lower compared to prior year, with revenues increasing 2 percent driven by better per parcel yields.

Decreases in segment margins were the result of lower volumes in Cross-border and Digital Shipping Solutions, offset by modest improvements in Domestic Parcel.

# Third Quarter 2022 – Presort Services

*Presort Services provides sortation services that enable clients to qualify for USPS workshare discounts in First Class Mail, Marketing Mail, Marketing Mail Flats and Bound Printed Matter*

(\$ millions)	Q3 2022	Q3 2021	% Change Reported	% Change Ex Currency
Revenue	\$145	\$139	4%	4%
EBITDA	\$28	\$27	2%	
EBIT	\$21	\$21	(2%)	

Revenue growth was driven by better revenue per piece and new client additions which was partially offset by lower volumes from existing clients.

EBIT margins improved 500 basis points sequentially to 14 percent, primarily from higher revenue per piece and productivity gains.

# Third Quarter 2022 – SendTech Solutions

*Sending Technology Solutions offers physical and digital mailing and shipping technology solutions, financing, services, supplies and other applications for clients of all sizes to help simplify and save on the sending, tracking and receiving of letters, parcels and flats*

(\$ millions)	Q3 2022	Q3 2021	% Change Reported	% Change Ex Currency
Revenue	\$332	\$338	(2%)	1%
EBITDA	\$102	\$107	(4%)	
EBIT	\$95	\$99	(4%)	

Better year-over-year Equipment sales and a strong increase in Business Services revenues largely offset lower Finance and Support Services. Equipment sales and Business Services revenue continued to benefit from new mailing products and shipping solutions. Shipping-related revenues experienced high-teens percent growth on a year-over-year basis.

EBITDA and EBIT declined as a result of lower, high-margin Finance and Service revenues.

# Debt Profile

## Debt Composition at 9/30/2022 (\$ Billions)

<b>Total Debt</b>	<b>\$ 2.22</b>
- Implied Financing Related Debt <sup>(1)</sup>	- 1.04
<b>Implied Operating Company Debt</b>	<b>\$ 1.18</b>
- Cash & S/T Investments	- 0.61
<b>Implied Net Debt</b>	<b>\$ 0.57</b>

## Capital Structure (\$ Millions)

	Interest Rate	12/31/2021	9/30/2022
<b>Cash &amp; S/T Investments</b>		<b>\$746.9</b>	<b>\$606.7</b>
Revolver - (\$500mm)		0.0	0.0
Term Loan A due March 2026	LIBOR + 1.75%	370.5	356.3
Term Loan B due March 2028	LIBOR + 4.00%	446.6	443.3
<b>Subtotal: Secured Debt</b>		<b>817.1</b>	<b>799.5</b>
Notes due April 2023	6.20%	90.3	0.0
Notes due March 2024	4.625%	242.6	238.4
Notes due March 2027	6.875%	400.0	400.0
Notes due March 2029	7.25%	350.0	350.0
Notes due January 2037	5.25%	35.8	35.8
Notes due March 2043	6.70%	425.0	425.0
Other debt		3.7	2.8
<b>Subtotal: Unsecured Debt</b>		<b>1,547.4</b>	<b>1,452.0</b>
<b>Principal Debt<sup>(2)</sup></b>		<b>\$2,364.5</b>	<b>\$2,251.5</b>
<b>Net Debt<sup>(2)</sup></b>		<b>\$1,617.6</b>	<b>\$1,644.8</b>

**Manageable debt profile; next bond maturity 2024**

(1) Total Finance Receivables at 8:1 debt:equity ratio

(2) Excludes \$41 million and \$35 million of unamortized costs, net as of 12/31/2021 and 9/30/2022, respectively

# Full Year 2022 Expectations

# Full Year 2022 Guidance

The Company is reaffirming the previously communicated revenue and EBIT guidance; specifically:

- The Company expects full year revenue (constant currency) to range from a low-single digit percentage decline to a low-single digit percentage increase
- The Company also expects full year EBIT to range from a high-single digit percentage decline to a mid-single digit percentage increase

Regarding cash flow, the Company expects positive free cash flow for full year 2022



# Appendix

## Consolidated Statements of Operations

(Unaudited; in thousands, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Revenue:				
Business services	\$ 518,405	\$ 551,384	\$ 1,667,267	\$ 1,688,860
Support services	107,642	113,413	325,619	347,266
Financing	67,757	71,936	207,084	223,201
Equipment sales	83,528	83,234	262,810	256,304
Supplies	37,455	38,211	116,761	119,090
Rentals	16,127	17,271	49,810	55,128
Total revenue	<u>830,914</u>	<u>875,449</u>	<u>2,629,351</u>	<u>2,689,849</u>
Costs and expenses:				
Cost of business services	452,715	472,216	1,433,474	1,454,564
Cost of support services	36,618	38,250	111,463	112,646
Financing interest expense	13,692	11,710	37,827	35,369
Cost of equipment sales	60,595	62,221	188,181	185,622
Cost of supplies	10,529	10,705	33,074	32,383
Cost of rentals	6,270	6,480	19,052	18,940
Selling, general and administrative	209,576	225,024	678,999	699,316
Research and development	9,812	10,621	32,400	32,996
Restructuring charges	4,264	3,701	12,672	11,434
Interest expense, net	23,685	24,312	66,816	73,816
Other components of net pension and postretirement expense	1,427	46	3,229	708
Other (income) expense, net	(8,398)	3,193	(20,299)	40,941
Total costs and expenses	<u>820,785</u>	<u>868,479</u>	<u>2,596,888</u>	<u>2,698,735</u>
Income (loss) from continuing operations before taxes	10,129	6,970	32,463	(8,886)
Provision (benefit) for income taxes	4,642	(1,525)	1,819	(10,602)
Income from continuing operations	5,487	8,495	30,644	1,716
Income (loss) from discontinued operations, net of tax	-	572	-	(4,334)
Net income (loss)	<u>\$ 5,487</u>	<u>\$ 9,067</u>	<u>\$ 30,644</u>	<u>\$ (2,618)</u>
Basic earnings (loss) per share:				
Continuing operations	\$ 0.03	\$ 0.05	\$ 0.18	\$ 0.01
Discontinued operations	-	-	-	(0.02)
Net income (loss)	<u>\$ 0.03</u>	<u>\$ 0.05</u>	<u>\$ 0.18</u>	<u>\$ (0.02)</u>
Diluted earnings (loss) per share:				
Continuing operations	\$ 0.03	\$ 0.05	\$ 0.17	\$ 0.01
Discontinued operations	-	-	-	(0.02)
Net income (loss)	<u>\$ 0.03</u>	<u>\$ 0.05</u>	<u>\$ 0.17</u>	<u>\$ (0.02)</u>
Weighted-average shares used in diluted earnings per share	<u>176,966</u>	<u>179,409</u>	<u>177,418</u>	<u>178,949</u>

**Consolidated Balance Sheets**

(Unaudited; in thousands)

**Assets**

## Current assets:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Cash and cash equivalents	\$ 596,647	\$ 732,480
Short-term investments	10,014	14,440
Accounts and other receivables, net	287,751	334,630
Short-term finance receivables, net	551,476	560,680
Inventories	89,946	78,588
Current income taxes	27,442	13,894
Other current assets and prepayments	146,636	157,341

## Total current assets

## Property, plant and equipment, net

## Rental property and equipment, net

## Long-term finance receivables, net

## Goodwill

## Intangible assets, net

## Operating lease assets

## Noncurrent income taxes

## Other assets

## Total assets

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
	1,709,912	1,892,053
	427,958	429,162
	28,451	34,774
	597,198	587,427
	1,045,940	1,135,103
	79,399	132,442
	259,248	208,428
	56,339	68,398
	388,704	471,084
	<u>\$ 4,593,149</u>	<u>\$ 4,958,871</u>

**Liabilities and stockholders' equity**

## Current liabilities:

Accounts payable and accrued liabilities	\$ 766,170	\$ 922,543
Customer deposits at Pitney Bowes Bank	663,420	632,062
Current operating lease liabilities	45,761	40,299
Current portion of long-term debt	27,133	24,739
Advance billings	94,100	99,280
Current income taxes	2,051	9,017

## Total current liabilities

## Long-term debt

## Deferred taxes on income

## Tax uncertainties and other income tax liabilities

## Noncurrent operating lease liabilities

## Other noncurrent liabilities

## Total liabilities

	1,598,635	1,727,940
	2,189,566	2,299,099
	273,455	286,445
	31,566	31,935
	239,788	192,092
	268,415	308,728
	<u>4,601,425</u>	<u>4,846,239</u>

## Stockholders' equity:

Common stock	323,338	323,338
Additional paid-in-capital	-	2,485
Retained earnings	5,128,030	5,169,270
Accumulated other comprehensive loss	(905,453)	(780,312)
Treasury stock, at cost	(4,554,191)	(4,602,149)

## Total stockholders' (deficit) equity

## Total liabilities and stockholders' equity

	(8,276)	112,632
	<u>\$ 4,593,149</u>	<u>\$ 4,958,871</u>

## Business Segment Revenue

(Unaudited; in thousands)

	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Change	2022	2021	% Change
Global Ecommerce	\$ 354,326	\$ 398,011	(11%)	\$ 1,166,623	\$ 1,229,526	(5%)
Presort Services	144,824	139,296	4%	444,302	417,041	7%
Sending Technology Solutions	331,764	338,142	(2%)	1,018,426	1,043,282	(2%)
<b>Total revenue - GAAP</b>	<b>830,914</b>	<b>875,449</b>	<b>(5%)</b>	<b>2,629,351</b>	<b>2,689,849</b>	<b>(2%)</b>
Currency impact on revenue	13,354	-		28,123	-	
Revenue, at constant currency	<u>\$ 844,268</u>	<u>\$ 875,449</u>	<u>(4%)</u>	<u>\$ 2,657,474</u>	<u>\$ 2,689,849</u>	<u>(1%)</u>

## Business Segment EBIT & EBITDA

(Unaudited; in thousands)

	Three months ended September 30,							
	2022			2021			% change	
	EBIT <sup>(1)</sup>	D&A	EBITDA	EBIT <sup>(1)</sup>	D&A	EBITDA	EBIT	EBITDA
Global Ecommerce	\$ (34,881)	\$ 17,982	\$ (16,899)	\$ (20,950)	\$ 20,935	\$ (15)	(66%)	>(100%)
Presort Services	20,561	7,182	27,743	21,062	6,235	27,297	(2%)	2%
Sending Technology Solutions	95,234	7,248	102,482	98,950	7,694	106,644	(4%)	(4%)
Segment total	<u>\$ 80,914</u>	<u>\$ 32,412</u>	<u>113,326</u>	<u>\$ 99,062</u>	<u>\$ 34,864</u>	<u>133,926</u>	<u>(18%)</u>	<u>(15%)</u>

### Reconciliation of Segment EBITDA to Net Income:

Segment depreciation and amortization		(32,412)		(34,864)
Unallocated corporate expenses		(42,908)		(49,176)
Restructuring charges		(4,264)		(3,701)
Gain on sale of businesses		13,764		-
Loss on debt refinancing		-		(3,193)
Interest, net		(37,377)		(36,022)
(Provision) benefit for income taxes		(4,642)		1,525
Income from continuing operations		5,487		8,495
Income from discontinued operations, net of tax		-		572
Net income		<u>\$ 5,487</u>		<u>\$ 9,067</u>

	Nine months ended September 30,							
	2022			2021			% change	
	EBIT <sup>(1)</sup>	D&A	EBITDA	EBIT <sup>(1)</sup>	D&A	EBITDA	EBIT	EBITDA
Global Ecommerce	\$ (77,402)	\$ 60,906	\$ (16,496)	\$ (58,157)	\$ 58,171	\$ 14	(33%)	>(100%)
Presort Services	53,044	20,601	73,645	56,247	20,532	76,779	(6%)	(4%)
Sending Technology Solutions	295,374	22,159	317,533	320,541	22,835	343,376	(8%)	(8%)
Segment Total	<u>\$ 271,016</u>	<u>\$ 103,666</u>	<u>374,682</u>	<u>\$ 318,631</u>	<u>\$ 101,538</u>	<u>420,169</u>	<u>(15%)</u>	<u>(11%)</u>

### Reconciliation of Segment EBITDA to Net Income (Loss):

Segment depreciation and amortization		(103,666)		(101,538)
Unallocated corporate expenses		(141,537)		(162,957)
Restructuring charges		(12,672)		(11,434)
Gain on sale of assets		14,372		1,434
Gain on sale of business, including transaction costs		10,920		10,201
Loss on debt redemption/refinancing		(4,993)		(55,576)
Interest, net		(104,643)		(109,185)
(Provision) benefit for income taxes		(1,819)		10,602
Income from continuing operations		30,644		1,716
Loss from discontinued operations, net of tax		-		(4,334)
Net income (loss)		<u>\$ 30,644</u>		<u>\$ (2,618)</u>

(1) Segment EBIT excludes interest, taxes, general corporate expenses, restructuring charges, and other items that are not allocated to a particular business segment. In 2022, we refined the methodology for allocating transportation costs between Global Ecommerce and Presort Services, resulting in an increase in Global Ecommerce EBIT and a corresponding decrease in Presort Services EBIT of \$3 million and \$9 million for the three and nine months ended September 30, 2022, respectively.

## Reconciliation of Reported Consolidated Results to Adjusted Results

(Unaudited; in thousands, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>Reconciliation of reported net income (loss) to adjusted EBIT and EBITDA</b>				
Net income (loss)	\$ 5,487	\$ 9,067	\$ 30,644	\$ (2,618)
(Income) loss from discontinued operations, net of tax	-	(572)	-	4,334
Provision (benefit) for income taxes	4,642	(1,525)	1,819	(10,602)
Income (loss) from continuing operations before taxes	10,129	6,970	32,463	(8,886)
Restructuring charges	4,264	3,701	12,672	11,434
Gain on sale of assets	-	-	(14,372)	(1,434)
Gain on sale of business, including transaction costs	(13,764)	-	(10,920)	(10,201)
Loss on debt redemption/refinancing	-	3,193	4,993	55,576
Adjusted net income before tax	629	13,864	24,836	46,489
Interest, net	37,377	36,022	104,643	109,185
Adjusted EBIT	38,006	49,886	129,479	155,674
Depreciation and amortization	39,280	41,809	124,752	121,225
Adjusted EBITDA	\$ 77,286	\$ 91,695	\$ 254,231	\$ 276,899
<b>Reconciliation of reported diluted earnings (loss) per share to adjusted diluted earnings per share</b>				
Diluted earnings (loss) per share	\$ 0.03	\$ 0.05	\$ 0.17	\$ (0.02)
Loss from discontinued operations, net of tax	-	-	-	0.02
Restructuring charges	0.02	0.02	0.05	0.05
Gain on sale of assets	-	-	(0.06)	(0.01)
Gain on sale of business, including transaction costs	(0.05)	-	(0.09)	(0.02)
Loss on debt redemption/refinancing	-	0.01	0.02	0.23
Adjusted diluted earnings per share <sup>(1)</sup>	\$ (0.00)	\$ 0.08	\$ 0.10	\$ 0.26
<b>Reconciliation of reported net cash from operating activities to free cash flow</b>				
Net cash from operating activities	\$ (36,465)	\$ 71,446	\$ 9,229	\$ 216,174
Capital expenditures	(33,359)	(57,204)	(97,533)	(140,907)
Restructuring payments	3,506	6,023	11,761	14,847
Change in customer deposits at PB Bank	47,271	9,879	31,359	25,512
Transaction costs paid	3,268	-	5,400	-
Free cash flow	\$ (15,779)	\$ 30,144	\$ (39,784)	\$ 115,626

<sup>(1)</sup> The sum of the earnings per share amounts may not equal the totals due to rounding.